



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, UT 84145-0155

<http://www.blm.gov>



IN REPLY REFER TO:

3511

UTU-060749

UTU-073071

(UT-923)

MAY 09 2005

CERTIFIED MAIL- Return Receipt Requested

NOTICE

Lessee:

American Gilsonite Company
HC 73, Box 28
Vernal, UT 84078

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:
:
:
:
:

Gilsonite Leases
UTU-060749 and
UTU-073071

Notice of Readjusted Leases

As provided in your readjusted gilsonite leases dated June 1, 1985, and the regulations at 43 CFR 3511.25, enclosed are the terms and conditions of your readjusted Federal gilsonite leases UTU-060749, and UTU-073071. The readjusted leases will become effective June 1, 2005, unless objections are received. The next 20-year readjustment will be June 1, 2025.

Currently you have a \$120,000 statewide gilsonite bond. It has been determined that the current bonding amount is sufficient.

Under the readjusted terms of the lease, the annual rental and minimum royalty payments are due in advance each year before the anniversary of the effective date of each lease. The rental rate remains at a rate of \$0.50 per acre or fraction thereof per year and the annual minimum royalty in lieu of production is set at a rate of \$3.00 per acre or fraction thereof per year. As provided at 43 CFR 3504.25, the rental paid for any lease year shall be credited against the minimum royalty and production royalties for that year only. Therefore, the annual rental/minimum royalty payments due for the above listed leases are as follows:

<u>Lease</u>	<u>Rental</u>	<u>Minimum Royalty</u>	<u>Total</u>
UTU-060749	\$ 140	\$ 840	\$ 980
UTU-073071	\$ 161	\$ 966	\$ 1,127

Production royalty on the lease will be as stated in the gilsonite lease stipulations for each of the respective leases.

RECEIVED
MAY 16 2005
5/18
DIV. OF OIL, GAS & MINING

In accordance with 43 CFR 3511.26(a), you have 60 days after receiving the proposed readjustment terms to object. If we do not receive objection within 60 days, the proposed readjusted terms will be in effect. If you file an objection, the BLM will issue a decision in response. If you disagree with the decision, you may appeal to the Interior Board of Land Appeals.

JAMES F KOHLER

James F. Kohler
Chief, Branch of
Solid Minerals

Enclosures

Readjusted Leases

UTU-060749 (9 pp.)

UTU-073071 (9 pp.)

cc: Vernal Field Office

Ms. Mary Ann Wright, Acting Director, UDOGM, Box 145801, Salt Lake City, Utah 84114-5801
Resource Development Coordinating Committee, ATTN: Mineral Leasing Task Force, 116 State
Capitol Building, Salt Lake City, Utah 84114
MMS, Solid Minerals Staff, MS 390B2, P. O. Box 25165, Denver, Colorado 80225-0165

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0121
Expires: August 31, 2006

Readjusted Gilsonite LEASE

Serial Number

UTU - 060749

PART I. LEASE RIGHTS GRANTED.

This Lease ~~Lease Renewal~~ ^{Readjustment} entered into by and between the UNITED STATES OF AMERICA, through the Bureau of Land Management, hereinafter called lessor, and (Name and Address)
American Gilsonite Company
HC 73 Box 28
Vernal, Utah 84078

hereinafter called lessee, is effective (date) June 1, 2005, for a period of 20 years,
and for as long thereafter as gilsonite is produced in paying quantities.
Sodium, Sulphur, Hardrock -

with preferential right in the lessee to renew for successive periods of _____ years under such terms and conditions as may be prescribed by the Secretary of the Interior, unless otherwise provided by law at the expiration of any period.

Potassium, Phosphate, Gilsonite -

and for so long thereafter as lessee complies with the terms and conditions of this lease which are subject to readjustment at the end of each 20 year period, unless otherwise provided by law.

Sec. 1. This lease is ^{readjusted} ~~issued~~ pursuant and subject to the terms and provisions of the:

Mineral Leasing Act of 1920, as amended, and supplemented, 41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;

Mineral Leasing Act for Acquired Lands, Act of August 7, 1947, 61 Stat. 913, 30 U.S.C. 351-359;

Reorganization Plan No. 3 of 1946, 60 Stat. 1099 and 43 U.S.C. 1201;

(Other) _____ formal _____ now or hereafter, when ; and to the regulations and ~~general mining~~ ^{general mining} orders of the Secretary of the Interior in force ~~on the date this lease issued.~~ not inconsistent with the express and specific provisions herein.

Sec. 2. Lessor, in consideration of any bonuses, rents, and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to lessee the exclusive right and privilege to explore for, drill for, mine, extract, remove, beneficiate, concentrate, or otherwise process and dispose of the gilsonite deposits and associated minerals hereinafter referred to as "leased deposits," in, upon, or under the following described lands:

T. 9 S., R. 24 E., SLM, Utah
Sec. 35, NWNW, S2N2, N2SE.

containing 280.00 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

Phosphate -

In accordance with Section 11 of the Act (30 U.S.C. 213), lessee may use deposits of silica, limestone, or other rock in the processing or refining of the phosphates, phosphate rock, and associated or related minerals mined from the leased lands or other lands upon payments of royalty as set forth on the attachment to this lease. (Phosphate leases only.)

situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

Sec. 8. (a) TRANSFERS - This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

(b) RELINQUISHMENT - The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 9. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such time as all or portions of this lease are returned to lessor, lessee shall deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all wells in condition for suspension or abandonment. Within 180 days thereof, lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the lessor, but lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor. If the surface is owned by third parties, lessor shall waive the requirement for removal, provided the third parties do not object to such

Sec. 14. SPECIAL STIPULATIONS -

SEE ATTACHED STIPULATIONS

waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities on the leased lands, and reclaim access roads or trails.

Sec. 10. PROCEEDINGS IN CASE OF DEFAULT - If lessee fails to comply with applicable laws, now existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 11. HEIRS AND SUCCESSORS-IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 12. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease.

Sec. 13. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151-1175), the Clean Air Act (42 U.S.C. 1857 et. seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation.

Sec. 14, SPECIAL STIPULATIONS - (Cont.)

THE UNITED STATES OF AMERICA

By

Company or Lessee Name

(Signature of Lessee)

(Title)

(Date)

(Signing Officer)

(Title)

(Date)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

NOTICE

The Privacy Act of 1974 and the regulations in 43 CFR 2.48(d) provides that you be furnished the following information in connection with information required under the terms of this lease.

AUTHORITY: 30 U.S.C. 181 et seq.; 43 CFR 3500.

PRINCIPAL PURPOSE: The information will be used to verify your compliance with the lease terms and in calculating royalty payments.

ROUTINE USES: (1) Evaluation of the effects of the operations on the environment. (2) Statistical reports to Congress. (3)(4) and (5) Information from the record and/or the record may be released or transferred to appropriate Federal, State or local agencies in allocating mineral revenue, for investigations of energy programs; and when relevant to civil, criminal or regulatory investigations or prosecutions, as well as routine regulatory responsibility.

EFFECT OF NOT PROVIDING INFORMATION: Disclosure of this information is mandatory only if the lessee elects to mine, extract, remove and/or dispose of the leased deposits.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that:

This information is being collected for use in calculating royalty payments and in verification of compliance with lease terms. Response to this request is mandatory only if the lessee elects to mine, extract, remove and/or dispose of the leased deposits.

Gilsonite Lease Stipulations

UTU- 060749

UTU-073071

1. **Cultural:** The Lessee shall contact the Authorized Officer with sufficient information on cultural resources and request a determination if a cultural inventory and/or tribal consultation is necessary. If it is necessary, the lessee shall conduct a cultural resource inventory to BLM Utah Class III inventory standards on all lands that may disturb the surface within the boundaries of the leased lands. The inventory shall be conducted by a qualified professional cultural resource specialist (i.e., Archaeologist, historian, or historical architect, as appropriate), which is approved by the AO. A report shall be generated of the inventory and recommendation for protecting any cultural resources that are identified. This report shall be submitted to the BLM within 30 days after final completion. The lessee shall undertake measures, in accordance with instructions from the AO to protect cultural resources on the leased land. The lessee shall not commence the surface disturbing activities until permission to proceed is given by the AO. The Lessee shall bear the cost of conducting the inventory, preparing reports, and carrying out mitigation measures shall be borne by the Lessee.

The lessee shall protect all cultural resource properties within the lease area from lease related activities until the approved cultural resource mitigation measures have been implemented.

If cultural resources are discovered during the operations under this lease, the lessee shall immediately bring them to the attention of the AO. The lessee shall not disturb such resources except as may be subsequently authorized by the AO. Within two working days of notification, the AO will evaluate or have evaluated any cultural resources discovered and will determine if any action may be required to protect or preserve such discoveries.

All cultural resources shall be deemed to be under the jurisdiction of the United States until ownership is determined under applicable law.

2. **Surface Pillar:** As approved by the AO prior to mining, the lessee shall be required to leave a surface pillar of sufficient size to protect the surface or to blast the openings closed to insure future surface stability and allow for final reclamation of the area for safe use.

3. **Paleontology:** Before beginning any surface disturbing activities within the boundaries of the leased lands, the lessee may be required by the AO to conduct an assessment of paleontological resources if the Duchesne River, Uinta, or Green River formations are exposed on the surface of the leased lands. An assessment includes a search, conducted by a qualified paleontologist, of information on file at museums, universities, and/or geological surveys, and if necessary a search of published and unpublished literature. A subsequent field survey for paleontological resources may then be required, in accordance with BLM Handbook 8270-1. The paleontologist shall report any discoveries of significant fossils and recommend mitigation measures in an acceptable report to the AO. Costs of assessment and mitigation shall be borne by the lessee.

If the lessee discovers a vertebrate fossil(s) during operations under the lease, the lessee shall immediately notify the AO and avoid disturbing the fossil(s). Within 2 working days after the discovery of a fossil(s), the AO or a qualified paleontologist shall evaluate the discovery. Any scientifically significant fossils (all vertebrate remains, tracks or traces, and other fossils identified on a case-by-case basis) shall remain the property of the United States government and must be collected by a qualified paleontologist for storage in a suitable repository.

4. **Royalty Value of Un-Mined Gilsonite:** The lessee shall pay the value of the royalty due on any gilsonite which would have been produced/recovered under the approved mine plan, which is otherwise lost or left economically inaccessible by mining practices/techniques, unless approval for leaving the gilsonite has been granted in writing by the AO prior to the mining.

5. **Waste Certification:** The lessee must provide upon abandonment, transfer of operation, assignment of rights, prior to reclamation activities and lease relinquishment, certification to the lessor that, based upon a complete search of all the records for the lease and its associated mine operation(s), and upon lessee's and the operator's knowledge of past mining operations associated with the lease, there have been no reportable quantities of hazardous substances per 40 CFR 302.4 or used oil (*as per Utah State Administrative Code R-315-15*), discharged, deposited, or released within the lease, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to any such substances. Lessee must additionally provide to lessor a complete list of all hazardous substances and hazardous materials and their Chemical Abstract Services Registry Numbers, and the oil and petroleum products used or stored on, or delivered to, the lease. Such disclosure will be in addition to any other disclosure required by law or agreement. If there has been a release prior to the time application is made for the relinquishment of all or a portion of the leased area, the lessee shall provide to the Authorized Officer, at lessee's expense, a Phase II, American Society for Testing and Materials (ASTM) Environmental Site Assessment (E1903-97; 2002 or latest version), or an equivalent report (as determined by the Authorized Officer), documenting existing site conditions. Prior to the submission of the Phase II Environmental Site Assessment, the lessee shall provide a proposed work plan, including a schedule, for such Site Assessment to the Authorized Officer. Upon approval of the work plan by the Authorized Officer the lessee shall complete the Site Assessment. To the extent the Authorized Officer determines that further investigation of existing site conditions is necessary prior to relinquishment acceptance, the lessee shall be responsible for such further assessment.

6. **Noxious Weeds:** The lessee/operator shall annually inspect active and inactive operational areas on each lease for noxious weeds (that are listed for control by the State of Utah, the Utah BLM, and Uintah County). If any of the listed weeds are found, control must be initiated by the lessee. The lessee should contact the Weed Control official at the Vernal Field Office in advance to discuss the planned control method (lessees are required to obtain a permit prior to the control through the application of approved herbicides). The

lessee should chemically treat annual invasive weeds (such as cheatgrass) in areas of high activity so as to prevent the potential of fire on the site and buildup of fire potential. A plan shall be submitted and approved by the AO prior to the initiation of any control of weeds.

7. Surface and Ground Water: If ground water is encountered during mining or drilling operations, the lessee shall;

a. Notify the AO within 24 hours after ground water is encountered either in mining or drilling exploration.

b. The lessee should sample and test [for total suspended and dissolved solids, pH, oil and grease, phenols, and major cations and anions] and submit a report the results of these tests to the "AO within 30 days from the date ground water was first encountered.

c. Provide copies of all approval to discharge water from the mine within 30 days of approval.

8. Temporary Cessation: Prior to any cessation of operations (this does not include normally scheduled days off and holidays), the lessee shall notify the AO 5 days in advance in order to conduct an inspection of the mine or drilling operations. Prior to a continuation of work, the lessee shall notify the AO of work that is to resume.

9. Visual Resources: The lessee shall quantify in the mining plan submittal, what provisions have been made to reduce the visual affects of the operation on the landscape. The plan shall also address in the plan how the basic elements of form, line, color and texture that are found in the predominant natural features of the landscape have been incorporated into the operation and site.

10. Water Resources: The lessee shall also identify the volume of water (in acre-feet per year) that would be used in this operation along with information about the source of the water to be utilized.

11. Reclamation: Surface reclamation and mine closure is a requirement of this lease. The lessee is responsible for the operation and reclamation of mine workings, equipment, and appurtenant structures that are presently on the lease or may be placed on the lease. A reclamation schedule is required as part of the mining plan (43 CFR 3592.1 (c) (9) and mine closures as part of 43 CFR 3595.

ROYALTY TERMS AND CONDITIONS

Gilsonite Lease

Sec. 2(a)

PRODUCTION ROYALTIES: The lessee shall pay the Lessor a production royalty at the rate specified in the table below. The production royalty basis will be the gross value of the gilsonite at the point of shipment to market for **all** products produced. At the end of the 10th re-adjusted lease year and every 5 years thereafter, the Authorized Officer will review the production royalty rate and may adjust the production royalty rate.

Royalty Rate Table:

Year 1-10 = 10 %

Year 11-15 = 11% Maximum

Year 16-lease termination = 12% Maximum

Shipment to market: For the purposes of this lease, the point of shipment to market is defined as the mine, loading dock, processing plant or other facility which is the first point of sale at which the gilsonite is transacted.

Gross Value: The gross value of gilsonite at the point of shipment to market shall be defined as the gross value of the processed gilsonite or a similar gilsonite products for sale in an established market.

Minimum Gross Value: Under no circumstances shall the accepted gross value of gilsonite for royalty purposes, be less than the highest value of the bulk sales price, for the year in which the sales occur. The bulk sales must equal or exceed 20 percent of the total sales from the point of shipment to market for the month. If the Lessee has no bulk sales for the month in which sales are made, then a bulk sales price based upon the bulk of sales of similar product of other gilsonite producers within the area will be established pursuant to Federal Regulations.

Deductions: No deductions other than those specifically enumerated below are allowable for costs incurred to process the gilsonite to a marketable condition.

Deductible Items are as follows:

Freight and handling: Only when entirely included in the sales price, the Lessee's actual reasonable costs of freight and handling from the point of shipment to market, where the sales is point remote from the processing plant, are deductible.

Bagging and Tagging: The costs of bagging and tagging shall be deductible when the royalty value is based on the gross value of bagged sales. Bagging shall be deemed to include sacks, drums, palletizing, and other similar container-form shipments.

Additives: The Authorized Officer will allow the actual reasonable costs on non-gilsonite additives (material only) to be deducted from the gross royalty value, if these additives support a specific customer order. Mechanical processing is not considered as an additive.

Sec. 2(b)

MINIMUM ROYALTY:

Minimum Royalty: The lessee is required to pay an advance minimum royalty of \$3.00 per acre after the sixth lease year on the lease. This advance minimum royalty will be paid prior to the lease anniversary date. Minimum royalties will be applied as per 43 CFR 3504.25(b) and applied to the lease year only.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0121
Expires: August 31, 2006

Readjusted Gilsonite LEASE

Serial Number

UTU-073071

PART I. LEASE RIGHTS GRANTED.

This Lease Lease ^{Readjustment} ~~Renewal~~ entered into by and between the UNITED STATES OF AMERICA, through the Bureau of Land Management, hereinafter called lessor, and (Name and Address)

American Gilsonite Company
HC 73 Box 28

hereinafter called lessee, is effective ^{Vernal, Utah 84078} (date) June 1, 2005, for a period of 20 years, and for as long thereafter as gilsonite is produced in paying quantities.

with preferential right in the lessee to renew for successive periods of _____ years under such terms and conditions as may be prescribed by the Secretary of the Interior, unless otherwise provided by law at the expiration of any period.

Potassium, Phosphate, Gilsonite -

and for so long thereafter as lessee complies with the terms and conditions of this lease which are subject to readjustment at the end of each 20 year period, unless otherwise provided by law.

Sec. 1. This lease is ^{readjusted} ~~issued~~ pursuant and subject to the terms and provisions of the:

Mineral Leasing Act of 1920, as amended, and supplemented, 41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;

Mineral Leasing Act for Acquired Lands, Act of August 7, 1947, 61 Stat. 913, 30 U.S.C. 351-359;

Reorganization Plan No. 3 of 1946, 60 Stat. 1099 and 43 U.S.C. 1201;

(Other) _____ formal _____ now or hereafter, when ; and to the regulations and ~~general mining~~ orders of the Secretary of the Interior in force ~~on the date this lease is issued.~~ not inconsistent with the express and specific provisions herein.

Sec. 2. Lessor, in consideration of any bonuses, rents, and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to lessee the exclusive right and privilege to explore for, drill for, mine, extract, remove, beneficiate, concentrate, or otherwise process and dispose of the gilsonite deposits hereinafter referred to as "leased deposits," in, upon, or under the following described lands:

T. 9 S., R. 24 E., SLM, Utah
Sec. 27, SW, S2SE;

T. 10 S., R. 24 E., SLM, Utah
Sec. 1, lots 1, 2.

containing 321.23 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

Phosphate -

In accordance with Section 11 of the Act (30 U.S.C. 213), lessee may use deposits of silica, limestone, or other rock in the processing or refining of the phosphates, phosphate rock, and associated or related minerals mined from the leased lands or other lands upon payments of royalty as set forth on the attachment to this lease. (Phosphate leases only.)

PART II. TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE - Lessee shall pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate indicated below:

Sulphur, Gilsonite -

[X] 50 cents for the first lease year and each succeeding lease year;

Hardrock -

[] \$1 for the first lease year and \$1 for each succeeding lease year;

Phosphate -

[] 25 cents for the first lease year, 50 cents for the second and third lease years, and \$1 for each and every lease year thereafter;

Potassium, Sodium -

[] 25 cents for the first calendar year or fraction thereof, 50 cents for the second, third, fourth, and fifth calendar years respectively, and \$1 for the sixth and each succeeding calendar year; or

Sodium, Sulphur, Asphalt, and Hardrock Renewal Leases - [] \$ for each lease year;

(b) RENTAL CREDITS - The rental for any year will be credited against the first royalties as they accrue under the lease during the year for which rental was paid.

Sec. 2. (a) PRODUCTION ROYALTIES - Lessee shall pay lessor a production royalty in accordance with the attached schedule. Such production royalty is due the last day of the month next following the month in which the minerals are sold or removed from the leased lands.

(b) MINIMUM ANNUAL PRODUCTION AND MINIMUM ROYALTY (1) Lessee shall produce on an annual basis a minimum amount of... (2) At the request of the lessee made prior to initiation of the lease year, the authorized officer may allow in writing the payment of a \$3.00 per acre or fraction thereof of minimum royalty in lieu of production for any particular lease year. Minimum royalty payments shall be credited to production royalties for that year.

Sec. 3. REDUCTION AND SUSPENSION - In accordance with Section 39 of the Mineral Leasing Act, 30 U.S.C. 209, the lessor reserves the authority to waive, suspend or reduce rental or minimum royalty, or to reduce royalty, and reserves the authority to assent to or order the suspension of this lease.

Sec. 4. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of \$ 120,000, or in lieu thereof, an acceptable statewide or nationwide bond. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 5. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as lessor may prescribe, lessee

shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of lessor, the leased premises and all surface and underground improvements, work, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall either submit or provide lessor access to and copying of documents reasonably necessary to verify lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall exercise reasonable diligence, skill, and care in the operation of the property, and carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health or property, and of waste or damage to any water or mineral deposits.

Lessee shall not conduct exploration or operations, other than casual use, prior to receipt of necessary permits or approval of plans of operations by lessor.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, and the approved mining plans in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, minerals, and other resources, and to other land uses or users. Lessee shall take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures.

Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder or the approval of easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 7. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are

situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

Sec. 8. (a) TRANSFERS - This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

(b) RELINQUISHMENT - The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 9. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such time as all or portions of this lease are returned to lessor, lessee shall deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all wells in condition for suspension or abandonment. Within 180 days thereof, lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the lessor, but lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor. If the surface is owned by third parties, lessor shall waive the requirement for removal, provided the third parties do not object to such

Sec. 14. SPECIAL STIPULATIONS -

SEE ATTACHED STIPULATIONS

waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities on the leased lands, and reclaim access roads or trails.

Sec. 10. PROCEEDINGS IN CASE OF DEFAULT - If lessee fails to comply with applicable laws, now existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 11. HEIRS AND SUCCESSORS-IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 12. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease.

Sec. 13. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151-1175), the Clean Air Act (42 U.S.C. 1857 et. seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation.

Sec. 14. SPECIAL STIPULATIONS - (Cont.)

THE UNITED STATES OF AMERICA

By

Company or Lessee Name

(Signature of Lessee)

(Signing Officer)

(Title)

(Title)

(Date)

(Date)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

NOTICE -

The Privacy Act of 1974 and the regulations in 43 CFR 2.48(d) provides that you be furnished the following information in connection with information required under the terms of this lease.

AUTHORITY: 30 U.S.C. 181 et seq.; 43 CFR 3500.

PRINCIPAL PURPOSE: The information will be used to verify your compliance with the lease terms and in calculating royalty payments.

ROUTINE USES: (1) Evaluation of the effects of the operations on the environment. (2) Statistical reports to Congress. (3)(4) and (5) Information from the record and/or the record may be released or transferred to appropriate Federal, State or local agencies in allocating mineral revenue, for investigations of energy programs; and when relevant to civil, criminal or regulatory investigations or prosecutions, as well as routine regulatory responsibility.

EFFECT OF NOT PROVIDING INFORMATION: Disclosure of this information is mandatory only if the lessee elects to mine, extract, remove and/or dispose of the leased deposits.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that:

This information is being collected for use in calculating royalty payments and in verification of compliance with lease terms.

Response to this request is mandatory only if the lessee elects to mine, extract, remove and/or dispose of the leased deposits.

Gilsonite Lease Stipulations

UTU- 060749

UTU-073071

1. **Cultural:** The Lessee shall contact the Authorized Officer with sufficient information on cultural resources and request a determination if a cultural inventory and/or tribal consultation is necessary. If it is necessary, the lessee shall conduct a cultural resource inventory to BLM Utah Class III inventory standards on all lands that may disturb the surface within the boundaries of the leased lands. The inventory shall be conducted by a qualified professional cultural resource specialist (i.e., Archaeologist, historian, or historical architect, as appropriate), which is approved by the AO. A report shall be generated of the inventory and recommendation for protecting any cultural resources that are identified. This report shall be submitted to the BLM within 30 days after final completion. The lessee shall undertake measures, in accordance with instructions from the AO to protect cultural resources on the leased land. The lessee shall not commence the surface disturbing activities until permission to proceed is given by the AO. The Lessee shall bear the cost of conducting the inventory, preparing reports, and carrying out mitigation measures shall be borne by the Lessee.

The lessee shall protect all cultural resource properties within the lease area from lease related activities until the approved cultural resource mitigation measures have been implemented.

If cultural resources are discovered during the operations under this lease, the lessee shall immediately bring them to the attention of the AO. The lessee shall not disturb such resources except as may be subsequently authorized by the AO. Within two working days of notification, the AO will evaluate or have evaluated any cultural resources discovered and will determine if any action may be required to protect or preserve such discoveries.

All cultural resources shall be deemed to be under the jurisdiction of the United States until ownership is determined under applicable law.

2. **Surface Pillar:** As approved by the AO prior to mining, the lessee shall be required to leave a surface pillar of sufficient size to protect the surface or to blast the openings closed to insure future surface stability and allow for final reclamation of the area for safe use.

3. **Paleontology:** Before beginning any surface disturbing activities within the boundaries of the leased lands, the lessee may be required by the AO to conduct an assessment of paleontological resources if the Duchesne River, Uinta, or Green River formations are exposed on the surface of the leased lands. An assessment includes a search, conducted by a qualified paleontologist, of information on file at museums, universities, and/or geological surveys, and if necessary a search of published and unpublished literature. A subsequent field survey for paleontological resources may then be required, in accordance with BLM Handbook 8270-1. The paleontologist shall report any discoveries of significant fossils and recommend mitigation measures in an acceptable report to the AO. Costs of assessment and mitigation shall be borne by the lessee.

If the lessee discovers a vertebrate fossil(s) during operations under the lease, the lessee shall immediately notify the AO and avoid disturbing the fossil(s). Within 2 working days after the discovery of a fossil(s), the AO or a qualified paleontologist shall evaluate the discovery. Any scientifically significant fossils (all vertebrate remains, tracks or traces, and other fossils identified on a case-by-case basis) shall remain the property of the United States government and must be collected by a qualified paleontologist for storage in a suitable repository.

4. Royalty Value of Un-Mined Gilsonite: The lessee shall pay the value of the royalty due on any gilsonite which would have been produced/recovered under the approved mine plan, which is otherwise lost or left economically inaccessible by mining practices/techniques, unless approval for leaving the gilsonite has been granted in writing by the AO prior to the mining.

5. Waste Certification: The lessee must provide upon abandonment, transfer of operation, assignment of rights, prior to reclamation activities and lease relinquishment, certification to the lessor that, based upon a complete search of all the records for the lease and its associated mine operation(s), and upon lessee's and the operator's knowledge of past mining operations associated with the lease, there have been no reportable quantities of hazardous substances per 40 CFR 302.4 or used oil (*as per Utah State Administrative Code R-315-15*), discharged, deposited, or released within the lease, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to any such substances. Lessee must additionally provide to lessor a complete list of all hazardous substances and hazardous materials and their Chemical Abstract Services Registry Numbers, and the oil and petroleum products used or stored on, or delivered to, the lease. Such disclosure will be in addition to any other disclosure required by law or agreement. If there has been a release prior to the time application is made for the relinquishment of all or a portion of the leased area, the lessee shall provide to the Authorized Officer, at lessee's expense, a Phase II, American Society for Testing and Materials (ASTM) Environmental Site Assessment (E1903-97; 2002 or latest version), or an equivalent report (as determined by the Authorized Officer), documenting existing site conditions. Prior to the submission of the Phase II Environmental Site Assessment, the lessee shall provide a proposed work plan, including a schedule, for such Site Assessment to the Authorized Officer. Upon approval of the work plan by the Authorized Officer the lessee shall complete the Site Assessment. To the extent the Authorized Officer determines that further investigation of existing site conditions is necessary prior to relinquishment acceptance, the lessee shall be responsible for such further assessment.

6. Noxious Weeds: The lessee/operator shall annually inspect active and inactive operational areas on each lease for noxious weeds (that are listed for control by the State of Utah, the Utah BLM, and Uintah County). If any of the listed weeds are found, control must be initiated by the lessee. The lessee should contact the Weed Control official at the Vernal Field Office in advance to discuss the planned control method (lessees are required to obtain a permit prior to the control through the application of approved herbicides). The

lessee should chemically treat annual invasive weeds (such as cheatgrass) in areas of high activity so as to prevent the potential of fire on the site and buildup of fire potential. A plan shall be submitted and approved by the AO prior to the initiation of any control of weeds.

7. Surface and Ground Water: If ground water is encountered during mining or drilling operations, the lessee shall;

a. Notify the AO within 24 hours after ground water is encountered either in mining or drilling exploration.

b. The lessee should sample and test [for total suspended and dissolved solids, pH, oil and grease, phenols, and major cations and anions] and submit a report the results of these tests to the "AO within 30 days from the date ground water was first encountered.

c. Provide copies of all approval to discharge water from the mine within 30 days of approval.

8. Temporary Cessation: Prior to any cessation of operations (this does not include normally scheduled days off and holidays), the lessee shall notify the AO 5 days in advance in order to conduct an inspection of the mine or drilling operations. Prior to a continuation of work, the lessee shall notify the AO of work that is to resume.

9. Visual Resources: The lessee shall quantify in the mining plan submittal, what provisions have been made to reduce the visual affects of the operation on the landscape. The plan shall also address in the plan how the basic elements of form, line, color and texture that are found in the predominant natural features of the landscape have been incorporated into the operation and site.

10. Water Resources: The lessee shall also identify the volume of water (in acre-feet per year) that would be used in this operation along with information about the source of the water to be utilized.

11. Reclamation: Surface reclamation and mine closure is a requirement of this lease. The lessee is responsible for the operation and reclamation of mine workings, equipment, and appurtenant structures that are presently on the lease or may be placed on the lease. A reclamation schedule is required as part of the mining plan (43 CFR 3592.1 (c) (9) and mine closures as part of 43 CFR 3595.

ROYALTY TERMS AND CONDITIONS

Gilsonite Lease

Sec. 2(a)

PRODUCTION ROYALTIES: The lessee shall pay the Lessor a production royalty at the rate specified in the table below. The production royalty basis will be the gross value of the gilsonite at the point of shipment to market for **all** products produced. At the end of the 10th re-adjusted lease year and every 5 years thereafter, the Authorized Officer will review the production royalty rate and may adjust the production royalty rate.

Royalty Rate Table:

Year 1-10 = 10 %

Year 11-15 = 11% Maximum

Year 16-lease termination = 12% Maximum

Shipment to market: For the purposes of this lease, the point of shipment to market is defined as the mine, loading dock, processing plant or other facility which is the first point of sale at which the gilsonite is transacted.

Gross Value: The gross value of gilsonite at the point of shipment to market shall be defined as the gross value of the processed gilsonite or a similar gilsonite products for sale in an established market.

Minimum Gross Value: Under no circumstances shall the accepted gross value of gilsonite for royalty purposes, be less than the highest value of the bulk sales price, for the year in which the sales occur. The bulk sales must equal or exceed 20 percent of the total sales from the point of shipment to market for the month. If the Lessee has no bulk sales for the month in which sales are made, then a bulk sales price based upon the bulk of sales of similar product of other gilsonite producers within the area will be established pursuant to Federal Regulations.

Deductions: No deductions other than those specifically enumerated below are allowable for costs incurred to process the gilsonite to a marketable condition.

Deductible Items are as follows:

Freight and handling: Only when entirely included in the sales price, the Lessee's actual reasonable costs of freight and handling from the point of shipment to market, where the sales is point remote from the processing plant, are deductible.

Bagging and Tagging: The costs of bagging and tagging shall be deductible when the royalty value is based on the gross value of bagged sales. Bagging shall be deemed to include sacks, drums, palletizing, and other similar container-form shipments.

Additives: The Authorized Officer will allow the actual reasonable costs on non-gilsonite additives (material only) to be deducted from the gross royalty value, if these additives support a specific customer order. Mechanical processing is not considered as an additive.

Sec. 2(b)

MINIMUM ROYALTY:

Minimum Royalty: The lessee is required to pay an advance minimum royalty of \$3.00 per acre after the sixth lease year on the lease. This advance minimum royalty will be paid prior to the lease anniversary date. Minimum royalties will be applied as per 43 CFR 3504.25(b) and applied to the lease year only.